

Targeting infrastructure

Harmonising the proxy process will demand a robust data infrastructure. And the good news is, it already exists, according to Broadridge's Patricia Rosch

With significant market changes, custodians must make operational adaptations to support new standards. The first phase of Target2-Securities will be implemented soon—what other issues are market participants facing?

It's important to remember that capital markets around the world have always, and will always, evolve. Target2-Securities (T2S) is a significant market change. But in addition, new regulations, a more rigorous approach to corporate governance and the sheer volume of market activity are creating challenges and opportunities for participants. Those who are able to adapt their operations quickly and efficiently will be able to capitalise on opportunity.

Where do you see opportunities for those agile businesses?

In the EU, with its many jurisdictions, it's imperative to have systems and processes in place to support both domestic and foreign investment. T2S harmonises the trading environment with collateral management, but we also have to harmonise other associated asset servicing functions, such as proxy voting. That demands a complex data infrastructure to ensure transparency, accuracy, and local market compliance.

No one can afford to reinvent the wheel. Working from a large-scale global proxy management platform and tailoring solutions for local markets allows us to drive operational performance in global capital markets.

In North America, we transformed the proxy process by harmonising practices, reducing risk and optimising cost efficiency for more than 1,100 custodian bank and broker clients. We are now working with participants, including custodians and central securities depositories in the EU region, to support T2S and provide local market solutions that meet market and client needs. That's our competitive advantage, and it lets us pass economies on to our clients.

What does increased market activity mean for participants?

Year after year, we're seeing volume increases in meetings, ballots and cross-border shares

voted. In 2014, across 114 markets with cross-border activity, there was a 20 percent increase in the number of meetings held by corporate issuers, a 26 percent increase in ballots voted, and a 53 percent increase in the number of shares voted by institutions. This volume and complexity really underscores the importance of robust, reliable proxy management in the securities lifecycle.

What steps are being taken to ensure the proxy management process is not only efficient and accurate, but that it supports increasingly rigorous governance standards?

In markets around the world, we see how evolving regulations and technology innovation go hand in hand. Often, the implementation of new rules relies on changes to the supporting data infrastructure.

In North America, the implementation of the notice and access rules is a good example of that. In that case, the rules necessitated a significant infrastructure change to support electronic delivery of proxy materials and an investor preference communication model.

Japan is another good example, but in this market the technological innovation came first, and set a new standard for governance. We launched Investor Communications Japan (ICJ), a joint venture between Broadridge and the Tokyo Stock Exchange, in 2005.

The impact has been transformative, with more than 550 Japanese share-issuing companies now using the electronic proxy-voting platform.

ICJ has greatly improved the flow and transparency of information to shareholders and back to issuers. We've reduced the time it takes to deliver materials from weeks to days, giving investors more time to conduct research ahead of company meetings.

The process also provides assurances to all participants that votes cast, by both Japanese and global investors, reach the shareholder meeting in a timely and accurate manner, and that they are cast at the meeting as directed by shareholders.

Recognising the benefits of the ICJ platform to the market, the Japanese

Exchange Group will be implementing The Corporate Governance Code, which will become effective this month. Under the new guidelines, Japanese issuers are required to "comply or explain" regarding e-voting participation. The code points to the significant number of institutional and foreign shareholders in Japanese companies as the underlying reason for the guidance.

Is this exclusive to the Japanese market, or are you seeing the same kind of evolution elsewhere?

We're seeing more interest in electronic voting and end-to-end vote confirmation solutions across EU and Asian markets.

We have strong participation today, and it's growing. More and more global custodians are asking to participate because they're recognising the benefits to their clients.

We're making further system enhancements to support even greater transparency in vote reporting. Global custodians are asking for more reporting in response to requests from investors, particularly in terms of confirmation that votes have been passed down the chain of intermediaries and cast at the meeting.

What end-to-end vote confirmation projects are in place for this year?

This year, end-to-end vote confirmation programmes are being conducted in Spain, the Netherlands, Taiwan, the US and Canada. **AST**



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